SELBY URBAN VILLAGE - AWARD OF CONTRACTS FOR HEAT SUPPLY ARRANGEMENTS

Councillor Kuper recused herself from the meeting for this item, following her declaration noted in item 4.

The Cabinet Member for Placemaking & Local Economy introduced the report.

It was explained that the Selby Urban Village development was being delivered to provide 202 new council-rent homes, alongside a community hub incorporating workspace, community facilities, parkland, sporting facilities, play areas, biodiverse spaces and a local shop. The Council continued to work in partnership with the Selby Trust to deliver a development intended to support the wellbeing and quality of life of residents.

The Cabinet member noted that the reduction of the housing waiting list and providing high-quality community infrastructure were identified as key objectives of the Council. The Selby Urban Village development was intended to contribute towards these objectives. To support delivery of the scheme, contracts for heating and hot water supply were to be awarded to ensure that the new homes and associated community and sports facilities would be ready for occupation upon completion. The development's energy and heat strategy had been established earlier in the project's delivery and included a requirement for the scheme to connect to the Energetik District Heat Network. This requirement arose from the Greater London Authority Energy Hierarchy and the planning obligations applying to the development.

It was stressed that the Council had undertaken due diligence to review the requirement for connection to the heat network, consider alternative options, assess the proposed heat supply arrangements and seek value for future residents and community facility operators. Safeguards had been secured to ensure that the network would not remain dependent on higher-carbon energy sources over the long term and would be capable of meeting Future Homes Standards. In addition, the planned introduction of Ofgem regulation of heat networks from January 2027 was expected to provide greater oversight of pricing and consumer protections.

The Cabinet member explained that the Selby Urban Village development was intended to deliver new housing, community facilities and infrastructure within an area identified as having significant levels of deprivation. The scheme aimed to

provide a sustainable, long-term development that would deliver benefits for local residents and the wider community.

Following questions from Councillors Iozzi, Wolson, Hymas, Powell and Ali the following information was shared:

- It was explained that the SUV would be delivered to ensure that residents had low energy costs, which would be energy efficient. It was additionally noted that there would be heat retention and carbon reduction built into the site, as well as environmental improvements as part of the development, including new trees, sustainable drainage and biodiverse habitats. It was also noted that the site would include methods for active travel.

- It was stressed that value for money was crucial to the development of contracts for the project and that officers had worked to undertake benchmarking and independent reviews for the project. It was additionally noted that the Council sought further price protections and welcomed regulatory support to protect these.

- It was explained that the Council had undertaken due diligence on the Council's proposed decision to work with Energetik, and how it would price energy for residents. It was explained that Energetik was part of the Heat Trust, which set out standards for customer service.

- Officers explained that the work undertaken to investigate heat solutions on this project ensured that the provider would be required to ensure a low carbon heat supply was provided within the required time frame. It was explained that any risk for non-delivery would fall to the provider, if there were any delays.

- It was explained that the reason for the decision was to ensure that the programme would be delivered on time, which would ensure that there were no cost over-runs.

- It was explained that the utilisation of the incinerator as part of the heat source was an inherited aspect of the project, and that the Council would have preferred a more environmentally friendly option. However, it was stressed that the proposed solution was the only viable option to ensure timely delivery

of the project. It was stressed that any significant changes and delays would create poor value for money outcomes. It was explained that the Council had reviewed all available options to deliver the project in a cost-effective manner.

- Officers explained that there had been due diligence undertaken on the offer of the connection to Energetik, and that the Council had examined all options of potential failure and what the risks that arose from that. would be from any of these options, which would be part of the protections within the proposed contract. The Council was confident that these protections would be sufficient to ensure that residents would still receive heat supply.

RESOLVED:

That Cabinet:

1. Approved the award of Heat Connection Agreements, for a term of 40 years, to Lee Valley Heat Network Operating Company Limited (Company No. 09763702) for: Selby Village (residential); Commercial Unit Space within the residential development; Commercial Connection – Selby Centre; and Commercial Connection – Sports Pavilion. The total contract value was as set out in the exempt recommendations.

2. Approved the award of the Selby Urban Village Framework Supply Agreement, for a term of 40 years, to Lee Valley Heat Network Operating Company Limited (Company No. 09763702). This committed the Council to the relevant supply costs contained within the subsidiary supply agreements over the 40-year contract term, including those identified within the exempt recommendations.

3. Noted that, through the subsidiary Construction Supply Agreement, the Council would meet the cost of heat supply during the construction period, including commissioning activities, with these costs already accounted for within the project's capital budget.

4. Noted that, through the subsidiary Residential Customer Supply Agreements, the Council would contribute the landlord’s availability charge applied by Energetik for the residential heat network at Selby Urban Village. The

proportion of the total availability charge and the estimated cost to the Council over the 40-year contract term were set out in the exempt recommendations.

5. Noted that, through the subsidiary Residential Customer Supply Agreements, social housing tenants would contribute the tenant availability charge applied by Energetik for residential heat supply at Selby Urban Village. The proportion of the total availability charge was set out in the exempt recommendations.

6. Noted that, through the subsidiary Residential Customer Supply Agreements, social housing tenants would be responsible for their variable heat usage charges during their tenancy.

7. Noted that, through the subsidiary Commercial Customer Supply Agreements, commercial tenants occupying the Community Centre, Sports Pavilion and Commercial Unit would be responsible for their availability charges and variable usage charges during their occupation.

8. Noted that, through the subsidiary Void Supply Agreements, the Council would be responsible for the availability and usage charges for heat supplied to residential and commercial void properties for a term of 40 years with Lee Valley Heat Network Operating Company Limited. The estimated cost to the Council over the contract term was set out in the exempt recommendations.

9. Delegated authority to the Corporate Director of Finance and Resources, following consultation with the Head of Legal and the Lead Member for Placemaking, to finalise the terms of the contracts, ensure that they remained fair and reasonable, agree the final legal documentation and complete execution of the agreements.

Reasons for the Decision

The overall design concept and sustainability objectives for the Selby Urban Village project had previously been approved by Cabinet in September 2023 and subsequently through the *Gateway 0 Report - Phase 2, Selby Urban Village* in June 2024. The energy strategy was developed in accordance with the energy policies of the London Plan and the policies of both Haringey and Enfield Councils, with the aim of achieving low-carbon development in line with the London Plan energy hierarchy. These policies, together with the project's planning approvals, required connection to

a district heat network on fair and reasonable commercial terms, unless such a connection was not possible, practical or viable.

Energetik was identified as the only viable district heat network provider serving the area. As a result, the Council undertook a review of the proposed agreements and entered into direct negotiations with Energetik regarding the connection to the network, the supply of heat to residential and non-residential buildings, and the management and maintenance of residential heat supply systems. This approach was consistent with the direct procurement strategy approved by Cabinet on 7 January 2026.

The Heat Connection Agreement and Framework Supply Agreement were long-term contracts covering different aspects of the district heat network. Together, they established the framework for both operation of the network infrastructure and the supply of heat to customers.

Under Section 11 of the Landlord and Tenant Act 1985, the Council was required to provide and maintain a functioning heating system for secure tenants. The Council therefore needed to implement heat supply arrangements for the 202 new council homes being delivered through the development. It also needed to ensure reliable heating provision for the new Community Centre, Sports Pavilion and Commercial Unit so that these facilities could be occupied and operated as intended. The proposed allocation of residential availability charges between the landlord and social tenants had been reviewed and was considered to accurately reflect the responsibilities established under the Landlord and Tenant Act 1985.

Work had been undertaken to mitigate the risks associated with connecting to the Energetik district heat network and with the proposed contractual arrangements. Further details of these risks and mitigations were contained within the exempt report. Delegated authority was recommended to allow final contract terms to be negotiated and refined, ensuring that the final agreements remained fair and reasonable to the Council before execution.

Alternative Options Considered

Option 1: Do Not Connect to the Energetik District Heat Network

This option was considered but discounted.

Planning policies and planning approvals required the development to connect to the nearest district heat network, namely Energetik, unless fair and reasonable contractual terms could not be secured. To mitigate against the possibility that acceptable terms could not be agreed, the Council explored alternative technical solutions, including the construction of an on-site energy centre using low-carbon heating technologies. However, as the principal contract terms were considered fair and reasonable, subject to final negotiation, this alternative option was not pursued. Further details, including cost implications, were contained within the exempt report.

Option 2: Connect to an Alternative District Heat Network Supplier

This option was considered but rejected.

Although other district heat network operators existed elsewhere in London, the capital costs and practical challenges associated with installing pipework over the distances required to connect the Selby Urban Village development to networks in locations such as Stratford or Brent rendered this option unviable.

Option 3: Procure Heat Supply from Energetik but Manage the Network Separately

This option was considered but rejected.

The Council considered procuring heat supply from Energetik while separately managing and maintaining the residential secondary heat network, either directly or through another provider. Technical advice indicated that this approach would have significant ongoing financial, resource and capacity implications. Procuring both the heat supply and the associated management and maintenance services from Energetik was considered more cost-effective and operationally efficient than establishing separate management arrangements.